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REPORT

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WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE

WR 27-83

WASHINGTON, July 7-The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade:

GRAIN AND FEED

CURRENT SITUATION

GREECE's Agricultural Bank reportedly has been instructed to offer loans for working capital, machinery and equipment to farmers and cooperatives as an inducement to further stimulate corn production. The size of the Greek corn crop has already doubled since 1979/80 (August-July), largely as a result of significant yield gains. Higher yields have followed increased use of single-hybrid corn varieties and extensive irrigation. Prior to entry into the European Community in 1981, Greece imported virtually all U.S. corn. Now, due to the shrinking Greek import market and competition from subsidized French grains, purchases of U.S. corn have dropped by half. Concurrently, utilization, mainly for livestock feed, has steadily increased to record levels. Greek corn production, imports and utilization are as follows:

Area	Production 1,000 Hectares	Total Imports	Imports		Utilization
			From U.S.	1,000 tons	
1979/80	122	731	1,240	1,240	1,840
1980/81	163	1,233	985	985	2,000
1981/82	161	1,337	672	640	2,100
1982/83	163	1,449	585	454	2,150
1983/84	166	1,575	550	N/A	2,230

As imported sorghum is now cheaper than corn in the KOREAN feed-grains market, feed manufacturers are again buying sorghum. Sorghum import prices, which are not under the Feed Price stabilization Fund (FPSF), have become competitive with the cost of corn to mills, which was increased from US\$135 per ton to \$145 on June 1, 1983. The Korea Feed Association (KFA), the sole sorghum importer, began to purchase sorghum by contracting 50,000 tons of Argentine origin at \$137.10 per ton, c&f, for July shipment. This was the first purchase from a non-U.S. source since 1980. At the time of the purchase, U.S. c&f sorghum prices were quoted at \$143-145 per ton. Feed manufacturers purchase sorghum when it is US\$5 or more per ton cheaper than corn. The KFA plans to continue sorghum purchases as long as the price advantage over corn is maintained. Further increases in the cost of corn to millers over the next few months may prompt a new sorghum imports and consumption.

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SOUTH AFRICA may fill part of its coarse grain deficit, resulting from this season's severely drought-reduced corn crop, with barley. South Africa will need to import at least 2-2.5 million tons of coarse grain and has already accepted tenders on 700,000 tons of corn, 300,000 tons of which has been reported as U.S. origin. Reported phytosanitary problems with some of the imported corn and current depressed world barley prices are partly responsible for what would be an unprecedented shift to barley imports.

South Africa produces roughly 100,000 tons of barley annually and in the past 20 years has not imported more than 30,000 tons. To what degree barley could replace needed corn is uncertain. Barley purchases would be handled by the South African Wheat Board (responsible for wheat and barley) by open tender. The South African Maize Board had announced earlier this season that a minimum of 1.5 million tons of corn would be purchased from world market. Currently South African buying decisions appear to rest on the outcome of domestic political considerations.

BRAZIL recently made several policy changes designed to reduce credit subsidies to farmers. In the past, the base for calculating the interest rates on agricultural loans to farmers was pegged to the National Consumer Price Index (INPC), but now will be pegged to the monetary correction (the variation in the national treasury indexed bonds) instead. Different percentages of this variation are then specified, plus 3 percent, to calculate the interest rate farmers will pay on their loans. These percentages have also been changed and now are 70 percent for the north-northeast region of the country and 85 percent for the south-southeast region. Farmers in the south, for example, will pay a rate equal to 85 percent of the monetary correction (125.5 percent over the past 12 months, but will vary from month to month) plus the 3-percent fixed rate, or a total of 110 percent. Past rates have been around 60 percent. Other similar adjustments were made increasing the cost of loans for special agricultural projects and machinery.

However, all increases in the financial costs incorporated into the cost of agricultural production will be added to the minimum support prices. This measure will guarantee that the next minimum support prices (set in July) will be fully indexed and will provide farmers with support prices higher than the cost of credit. If attractive minimum support prices are set, the government will be creating an indexation of the minimum price, which may turn out to be another element of budgetary pressure on the government, since it could well become the sole purchaser of agricultural products.

DAIRY, LIVESTOCK AND POULTRY

In AUSTRALIA, preliminary March census data show cattle numbers fell only 7.3 percent to 22.8 million head, indicating that 1982/83 drought losses were not as high as projected earlier. Beef cattle numbers were down 7.9 percent to about 20 million head and dairy cattle were down 2.3 percent to 2.7 million. Sheep were down 2.9 percent to 134.0 million, while hogs were up 4.3 percent to 2.5 million. Continued heavy cow slaughter during April indicates that prospects for herd rebuilding remain uncertain.

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Egg production in JORDAN is expanding rapidly, according to the U.S. agricultural attache in Syria. Current estimates place annual production at 350 million eggs, of which about 65 million will be exported--mostly to Iraq. Exports may increase to 100 million eggs in 1984. About 320 farms with a total of 1.5 million layers account for all the commercial production.

COTTON AND FIBERS

The 1983/84 TURKISH cotton crop is forecast at 2.3 million bales, up 2 percent from last year's production, according to the U.S. agricultural attache in Ankara. The favorable outlook is attributed to an increase in the area devoted to cotton, stemming from attractive domestic and international cotton prices. Timely rains in May and early June helped the crop get off to a fairly good start. However, water reserves in all reservoirs are reportedly at their lowest levels in the past several years and the crop is threatened by a possible shortage of irrigation water during the summer months.

PERU's 1982/83 cotton crop has been revised downward from 350,000 to 210,000 bales as a result of excessive rains and flooding in the north and drought in the south, both of which began last fall, according to the agricultural attache in Lima. A crop of this magnitude would be less than half the size of last year's more normal production level of 432,000 bales. The same adverse weather conditions have reduced extra-long staple production to only 4,000 bales, 83,000 below last year's production level.

AUSTRALIA's 1983/84 cotton crop is forecast at approximately 725,000 bales from a harvested area of 110,000 hectares, according to the U.S. agricultural counselor in Canberra. Production at this level is 54 percent above last year's output and would surpass the previous record 1981/82 crop of 618,000 bales harvested from a record 103,000 hectares. Australia's expanded use of the same type of drip irrigation system utilized in Israel should continue to boost yields.

Heavy rains and flooding from October 1982 to May 1983 have reduced ECUADOR's 1983/84 cotton crop to an estimated 15,000 bales, down 31,000 bales from last season, according to the U.S. agricultural attache in Quito. The rains delayed plantings and washed away cotton already planted, reducing the estimated area to 6,000 hectares, down from 17,000 hectares a year ago. A crop of this size would necessitate cotton imports.

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COTTON AND FIBERS

Reportedly, JAPANESE spinners recently concluded a contract to buy 2,000 tons of CHINESE cotton for October delivery. The quality of the cotton contracted was described as having good color and 1-3/32 inch staple. Japanese traders continue to claim that China is an unstable supplier of cotton.

TOBACCO

BRAZIL reduced its tobacco leaf export tax to 5 percent from the former 20 percent, effective June 23. The new rate will remain in effect until April 1, 1984, at which time it will be reduced to zero. Brazil is the world's second largest tobacco exporter, after the United States, and a lower export tax is likely to be an additional incentive to boost Brazilian leaf exports, especially in view of keener international tobacco trade competition resulting from a record 1982 world tobacco output.

In CHINA, R.J. Reynolds Tobacco International reportedly signed a joint venture agreement, which is expected to produce about 1.5 billion cigarettes annually. The U.S. firm will supply machinery and technology, while the Chinese firm will provide land and labor. The cigarettes produced, with brand name yet to be determined, will be a blend of American and Chinese leaf.

This is not the first business accord with American tobacco manufacturers and this new venture indicates continued Chinese interest in importing foreign cigarette manufacturing technology and equipment to upgrade China's cigarette production. Use of foreign names may be seen as help for boosting exports of cigarettes to earn foreign exchange. At the same time, it is believed, that the cigarettes will be well received by domestic smokers, provided reasonable prices are set. Availability of foreign brands may appeal to Chinese smokers who face limited supplies of imported and good domestic quality cigarettes.

FRUITS AND VEGETABLES

Preliminary estimates indicate that cherry production throughout most of WESTERN EUROPE will be substantially below the bumper crops harvested during the 1982 season due to poor pollination conditions related to excessive rainfall and below normal temperatures.

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Production estimates for selected countries in Europe are as follows in 1,000 tons:

	1981	1982	1983 1/
Sweet cherries			
Belgium	0.6	3.9	4.9
Germany, West	52.1	172.4	130.0
Netherlands	0.2	1.2	1.1
Sour cherries			
Belgium	5.9	13.3	10.0
Germany, West	65.4	126.0	90.0
Netherlands	0.8	2.7	1.4
Total cherries			
Belgium	6.5	17.2	14.9
France	83.0	112.8	87.7
Germany, West	117.5	298.4	220.0
Netherlands	1.0	3.9	2.5

1/ Preliminary.

In the GERMAN DEMOCRATIC REPUBLIC (GDR), fruit production has become more important over the past several years. Government policy has encouraged self-sufficiency production in rural areas, while state farms specializing in fruit production have been expanded to meet requirements of urban centers.

The most important areas for fruit cultivation are in the central and southern districts because of the favorable soil and climate. Growers throughout these regions produce a wide range of fruits--apples, pears, apricots, sweet and sour cherries, peaches, plums, currants, strawberries and gooseberries. Apples, however, annually account for over two-thirds of total fruit output, which has been running at over 500,000 tons since 1980.

Twenty cooperative farms are the core of the GDR's fruit industry. As of 1982, these state farms had a combined orchard area of 56,000 hectares (40 percent of the total fruit area) and contributed 60 percent of the total fruit volume. The remaining 40 percent of the country's fruit production is from small, individually worked plots.

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The first 1983 production estimate for tomatoes for processing in MAJOR PRODUCING COUNTRIES is 13.7 million tons, with area estimated at nearly 296,000 hectares. Smaller 1983 harvests are expected in Canada, Mexico, Spain, Portugal, Israel and Taiwan. Production is estimated to be up in Italy, Greece and France due primarily to area expansion.

In North America, U.S. producers are under contract to grow 6.548 million tons for processing in 1983. This is up 113,000 tons from the crop grown under contract last year. Contracted planted area of 118,112 hectares this year is 5 percent below last year and yields are expected to increase slightly. Heavy canned tomato stock levels are expected to result in a slightly reduced Canadian contract area from last year. Contract area normally accounts for virtually all of Canada's processing tomatoes. A 24-percent drop in yields in Mexico as a result of storms in the northwest growing areas reduced the 1983 processing tomato crop 17 percent from last year. Area for the 1984 Mexican crop to be planted late this summer is preliminarily estimated at 4,500 hectares, down 18 percent from the area planted last year, reflecting grower reaction to higher production costs.

In Europe, the prolonged drought in southern Italy has not affected the Campania region, which normally produces nearly three-fourths of the southern tomato crop. A return to more normal yields from last year's drought-reduced level, combined with a marginal increase in area, is expected to result in the larger Italian crop. The 1983 processing tomato crop in Greece is estimated to be up slightly from last year due to a slightly larger area. Irrigation water shortages in Spain during 1983 are expected to reduce the tomato area from last year and a 21-percent smaller crop is forecast. The 1982 harvest in Spain was the largest since 1977. Rains during mid-April through late May helped increase irrigation water supplies in Portugal, but significant delays in plantings, because of the wet conditions, are now expected to reduce yields, with area remaining near last year's level. In France, a 2-percent increase in the tomato area, combined with improved yields, is expected to increase the 1983 harvest level by 4 percent.

The production target level for 1983 in Taiwan is 10 percent below the crop harvested last year. The 1983 Taiwan crop will be transplanted later this summer on a marginally reduced area from last year. The Israeli government has decided to discontinue the processing tomato subsidy which accounted for 17.2 percent of grower returns in 1982. As a result, the 1983 processing tomato crop in Israel is expected to be below the record crop harvested in 1982.

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Production by selected countries of tomatoes for processing is estimated as follows in 1,000 tons:

	1981	1982	1983
United States	5,186	6,622	6,548 1/
Italy	3,050	3,020	3,490
Greece	1,189	1,178	1,210
Spain	477	567	450
Canada	454	476	450
Portugal	395	480	450
Taiwan	274	378	340
France	377	385	402
Israel	181	240	210
Mexico	170	180	150
Total	11,753	13,526	13,700

1/ Contract production only.

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Selected International Prices

Item	: July 5, 1983		: Change from : A year	
			: previous week : ago	
ROTTERDAM PRICES 1/	\$ per MT	\$ per bu.	\$ per MT	\$ per MT
Wheat:				
Canadian No. 1 CWRS-13.5%.	197.50	5.38	-3.50	197.00
U.S. No. 2 DNS/NS: 14%...	184.50	5.02	+3.50	177.50
U.S. No. 2 DHW/HW: 13.5%..	N.Q.	--	--	176.00
U.S. No. 2 S.R.W.....	149.00	4.06	+1.00	151.00
U.S. No. 3 H.A.D.....	192.00	5.23	-0-	173.50
Canadian No. 1 A: Durum..	203.00	5.52	-6.00	N.Q.
Feed grains:				
U.S. No. 3 Yellow Corn....	147.00	3.73	-0-	121.75
U.S. No. 2 Sorghum 2/.....	N.Q.	--	--	N.Q.
Feed Barley 3/.....	N.Q.	--	--	N.Q.
Soybeans and meal:				
U.S. No. 2 Yellow.....	246.00	6.70	+10.00	245.50
Brazil 47/48% SoyaPellets 4/	211.50	--	+3.50	214.50
U.S. 44% Soybean Meal.....	223.00	--	+17.00	212.00
U.S. FARM PRICES 5/				
Wheat.....	125.66	3.42	-3.31	119.78
Barley.....	76.24	1.66	-5.51	79.92
Corn.....	121.25	3.08	-.39	97.63
Sorghum.....	108.03	4.90 6/	-6.39	95.68
Broilers 7/.....	1140.00	51.71	+44.31	N.A.
EC IMPORT LEVIES				
Wheat 8/.....	103.43	2.81	-.84	94.85
Barley.....	104.11	2.27	-5.13	87.50
Corn.....	76.96	1.95	+2.20	95.80
Sorghum.....	90.56	2.30	-.15	94.30
Broilers 9/.....	279.00	N.Q.	-4.00	259.00
EC INTERVENTION PRICES 11/				
Common wheat(feed quality)	178.85	4.87	-2.48	177.20
Bread wheat.....	196.15	5.34	-2.73	203.47
Barley and all				
other feed grains.....	178.85	--	-2.48	177.20
Broilers 11/.....	1155.00	N.Q.	-0-	N.Q.
EC EXPORT RESTITUTIONS (subsidies)				
Wheat.....	26.30	.72	+2.10	65.00
Wheat flour.....	N.Q.	N.Q.	N.Q.	N.Q.
Barley.....	58.77	1.28	--	N.A.
Broilers 9/.....	200.00	N.Q.	-3.00	172.00
Sugar, refined	N.Q.	N.Q.	N.Q.	N.Q.

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Optional delivery: Argentine Granifero sorghum. 3/ Optional delivery: Canadian feed barley. 4/ Optional delivery: Argentine. 5/ Based on selected major markets and adjusted to reflect farm prices more closely. 6/ Hundredweight (CWT). 7/ Twelve-city average, wholesale weighted average. 8/ Durum has a special levy. 9/ EC category--70 percent whole chicken. 10/ Reflects exchange rate change and not level set by EC. 11/ F.O.B. price for R.T.C. broilers at West German border. N.Q.=Not quoted. N.A.=None authorized. Note: Basis July delivery.